

NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF INSPECTOR GENERAL



2003 ANNUAL
PERFORMANCE PLAN

OVERVIEW

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) Annual Performance Plan for 2003 delineates those audits and investigations that would most benefit the NCUA. In formulating this Plan, we considered:

- The agency's strategic and annual performance plans;
- Pertinent legislation, including the Federal Credit Union Act, the Government Performance Results Act (GPRA), the Credit Union Membership Act, the Government Information Security Act (GISRA), and the Inspector General Act;
- Congressional activity and testimony by NCUA officials as well as significant areas of interest to NCUA Board members and the Congress;
- Input obtained from the NCUA Board and Executive staff; and
- NCUA and the credit union industry's operating environment.

How the Annual Plan was formulated

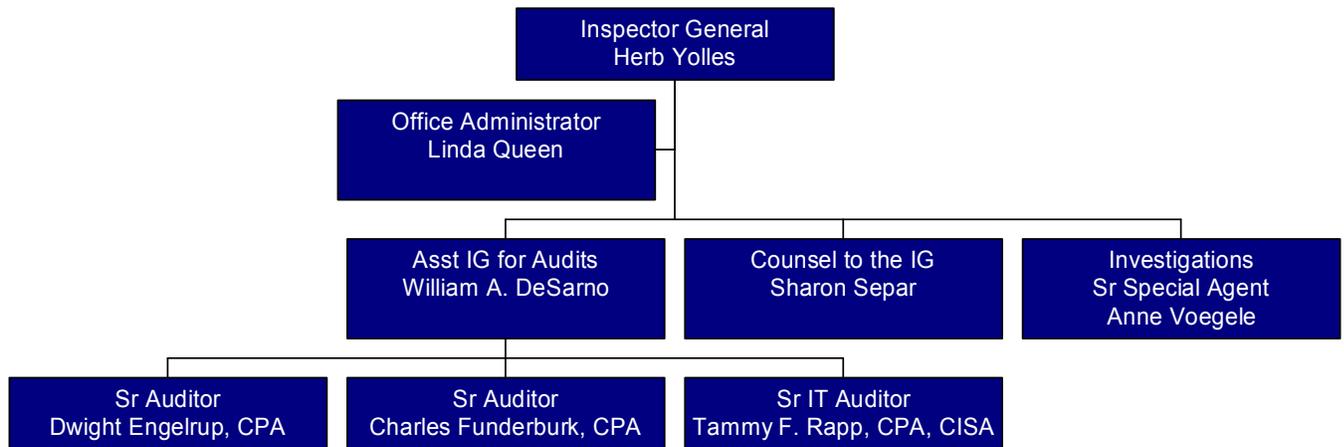
The NCUA OIG plans its work to identify and respond to issues that are of greatest importance to NCUA. For purposes of the Annual Plan, we have identified prospective audit and investigative work that is responsive to the agency's strategic goals. The agency's strategic goals are:

- Promote a system of financially healthy, well-managed federally insured credit unions able to withstand economic volatility.
- Facilitate credit unions' ability to safely integrate financial services and emerging technology in order to meet the changing expectations of their members.
- Create a regulatory environment that will facilitate credit union innovation to meet member financial service expectations.
- Enable credit unions to leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means.
- Enhance NCUA's organization to continue to work with the credit union community in creating an environment that enables credit unions to continue to flourish while addressing the challenges of the 21st century.

In preparing our 2003 Performance Plan, we identified an inventory of about 50 audits and investigations that address the agency's strategic goals. Due to our resource limitations, we considered each of these audits and investigations and determined which ones should form the basis of our work over the next two years (See Appendix C). Criteria considered in the prioritization process included such factors as importance to the NCUA mission as well as NCUA Board and Congressional interest. The specific factors we selected for prioritizing each audit and investigation are presented in Appendix D.

Resources

The OIG staff is currently composed of 8 positions including the Inspector General. A college intern periodically joins our staff. In addition, we rely upon contractors to augment our resources. For example, we use independent contracting firms to assist with our financial statement audits and the annual independent evaluation as required by the Government Information Security Reform Act (GISRA).



In addition to the financial statement audits and evaluation under GISRA, we use contracting dollars for short term, non-recurring projects. In 2003, our contracting budget is approximately \$300,000.

Audits and investigations that cannot be accomplished in 2003 will be deferred to 2004 (Appendix C).

The following appendices are included in our 2003 plan:

- Appendix A: 2003 Planned Audits
- Appendix B: 2003 Planned Legal Projects and Investigative Work
- Appendix C: Audits and Investigative Work planned for 2003-2004
- Appendix D: Prioritized Audit Universe

Appendix A

2003 Planned Audits

Financial Statements Audits (4)

Objective: Are the four funds that the agency administers in compliance with GAAP and do their statements fairly represent their financial position, results of operations and changes in cash flows? These audits are conducted under contract with an independent public accounting firm.

Government Information Security Act

Objective: To determine if NCUA is in compliance with the Government Information Security Act. This annual independent evaluation is required by the Act.

Material Loss Reviews (as necessary)

Objective: To evaluate the factors that resulted in a material loss to the insurance fund and make recommendations for preventing any such loss in the future. The Federal Credit Union Act requires the NCUA Inspector General to review and report on any such material losses exceeding \$10 million and an amount equal to 10% of the total assets of the credit union. The IG may choose to undertake material loss reviews that do not exceed the \$10 million threshold on a case-by-case basis.

Nationwide Member Complaint Handling Process (carry over)

Objective: To determine NCUA's appropriate role in this area and to identify the most efficient and effective means of handling this function.

NCUA Risk Based Exam Scheduling Program (carry over)

Objective: To determine if NCUA Regional Offices are effectively and consistently scheduling federally insured credit unions for examination in accordance with national guidance. This is the first phase of a four-phased audit.

Credit Union e-Commerce

Objective: To determine the effectiveness and efficiency of NCUA's examination of credit union electronic financial services. This is the first phase of a three-phased audit.

Federally Insured State Chartered Credit Unions (FISCU)

Objective: To evaluate how effectively NCUA coordinates with State Supervisory Authorities on reviews of FISCUs and to evaluate adequacy and consistency of regional reviews of SSA programs.

Training and Equipment Provided to State Supervisory Authorities (SSA)

Objective: To evaluate the effectiveness and appropriateness of NCUA's program for providing training and equipment to state examiners.

Appendix B

2003 Legal Projects and Projected Investigative Work

2003 LEGAL PROJECTS

General legal work
Administrative/personnel legal work
Investigative assistance & review
Audit assistance & review
Legislation/regulation review

2003 INVESTIGATIONS

10-15 formal investigations
4-6 preliminary/informal investigations

2003 TRAINING

Regional staff & integrity awareness training
New supervisor training

Appendix C

Audits Scheduled for 2003-2004

2003 PROJECTS

Audits:

- Financial statement audits (4)
- Government Information Security Act 2003
- Material loss reviews (as necessary)
- Nationwide Member Complaint Process
- NCUA Risk Based Exam Scheduling Program
- Credit Union E-Commerce
- Federally Insured State Chartered Credit Unions
- Training and Equipment provided to State Supervisory Authorities

2004 PROJECTS

Audits:

- Financial statement audits (4)
- Government Information Security Act 2004
- Material loss reviews (as necessary)
- Resource Allocation Process
- Adequacy of Information Technology Vendor Reviews
- Geo Differential
- Subject Matter Examiners
- Risk Focused Examination Process
- Communication with Credit Unions

Appendix D Prioritized Audit Universe

	Planned
Financial Statement Audits (4) (Required)	2003
Government Information Security Reform Act (Required)	2003
Material Loss Reviews (Required, as necessary)	2003
Nationwide Member Complaint Handling Process	2002- 2003
Budget Review (4 individually phased reviews)	
I. Risk Based Exam Scheduling (work in process)	2003
II. Resource Allocation Process	2004
III. Dollar Budgeting	
IV. Budget Funding (operating fee/overhead transfer)	
Risk Focused Examination Process	
I. Review of Adequacy of Supervisory Committee Audits	2004
II. Off-Site Monitoring	
GEO Differential Program for All NCUA Duty Stations	2004
FISCU Risk Assessment Process	2003
Subject Matter Examiner Program	2004
Electronic Financial Services / Information Systems & Technology Program	
I. Credit Union e-Commerce	2003
II. Adequacy of Information Technology Vendor Reviews	2004
III. Privacy of Credit Union Member Data	
Coordination with SSAs (including computer issuance)	2003
Communications with Credit Unions	2004
Share Insurance Fund Cash & Investment Management	
NCUA Procurement and Contracting	
Windows 2000 Administrator Privileges	
Adequacy of Smart Card Controls	
Government Performance and Results Act	
* Alexandria Building Contract/Finances	
Employee Relocation and Home Purchase Program	
Review of NCUA Enforcement of Administrative Actions	
Review of Corporate Credit Union Issues Identified in D&T Report	
NCUSIF Reserving Process	
Travel Advance Program	
Large Credit Union Exam Program	
Monitoring of SAR Compliance / Bank Secrecy Act / Patriot Act	
Confidentiality of Camel Codes	
WIN 2000 Security	
SAP Security	

SAP Change Management	
HR/Payroll/Time Card Data Security	
AMAC General & Application Controls	
NCUA Website Change Management	
Virus Prevention and Protection	
Review of AMAC Controls Over Acquired Credit Union Property & Equipment	
Whistleblower Protection Rights/OSC Certification Program	
Review E&I's Post Examination Customer Surveys	
Adequacy of Identification of New Risks in Lending Programs	
Small Credit Union Program	
FIREA Pay Comparability	
Charter Conversions	
Insurance Conversions	
SAP Cost Effectiveness	
Organizational Structure	
Information and Records Management	